AT&T

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January 16, 2001

Electronic Filing
Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St., SW, Room TWB-204
Washington, DC 20554

Re: Proposed First Quarter 2002 Universal Service Contribution Factor, CC Docket No. 96-45

Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket 98-171; Telecommunications Services for Individuals with Hearing Speech Disabilities and the Americans with Disabilities Act of 1990, CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72; Number Resource Optimization, CC Docket No. 99-200; and Telephone Number Portability, CC Docket No. 95-116

Dear Ms. Salas:

Yesterday, January 15, 2001, I provided the attached documents to Kyle Dixon, Legal Adviser to Chairman Powell. The positions expressed by AT&T were consistent with those contained in the Comments and ex parte filings previously made in the aforementioned dockets. One copy of this Notice are being submitted for each of the referenced proceedings in accordance with the Commission's rules.

Very truly yours,

Robert W. Quinn Jr.

Enclosure

cc : K. Dixon

AT&T

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January 15, 2002

VIA ELECTRONIC FILING

Dorothy Attwood,
Chief, Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Ex Parte* - Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket No. 98-171; Telecommunications Services for Individuals with Hearing Speech Disabilities and the Americans with Disabilities Act of 1990, CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72; Number Resource Optimization, CC Docket No. 99-200; and Telephone Number Portability, CC Docket No. 95-116.

Dear Ms. Attwood,

Although the Commission did not grant AT&T's waiver request in December, AT&T respectfully renews the request that the Commission to allow AT&T to use projected revenues (*see* December 13, 2001 *Ex Parte*) as the basis for the remainder of its USF payments (February forward) until such time as a permanent solution could be put in place to eliminate the "lag effect" caused by the use of six-month old revenue data. On December 18, 2001, AT&T filed an *ex parte* letter demonstrating the schedule of activity necessary to accommodate AT&T's request to use projected revnues as the basis of determining its USF contribution. While the dates necessary to effect that change for January have passed, the Commission can grant AT&T's waiver up until January 18, 2002 to be effective February 1, 2002 (See Attachment 1). If the Commission cannot act by January 18, 2002 action before February 1, 2002 should allow for implementation effective March 1, 2002. (See Attachment 2)

If AT&T's request to use projected revenues is granted effective February 1, 2002, AT&T will be able to reduce its charge to residential consumers to 9.2% until the end of the second quarter 2002.[1] As described in AT&T's previous *ex parte*, AT&T would be subject to a true-up procedure to account for any variations between its projection and the actual revenues achieved during the first quarter. The implementation of this "mid-quarter" change will result in eliminating the competitively harmful and discriminatory impact of the lag on AT&T's customers. Allowing AT&T to make this change now will not jeopardize the fund, nor does it interfere with USAC's schedule for receipt of contributions in the first quarter.

Sincerely,

Robert W. Quinn Jr.

cc: Chairman Michael Powell
Kyle Dixon, Legal Adviser to Chairman Powell
Commissioner Kathleen Abernathy
Matthew Brill, Legal Adviser to Commissioner Abernathy
Commissioner Michael Copps
Jordan Goldstein, Legal Adviser to Commissioner Copps
Commissioner Kevin Martin
Sam Feder, Legal Adviser to Commissioner Martin
Carol Mattey, Deputy Chief, Common Carrier Bureau
Katherine Schroder, Chief, Accounting Policy Division
Anita Cheng, Accounting Policy Division
Paul Garnett, Accounting Policy Division
Gregory Guice, Accounting Policy Division
William Scher, Accounting Policy Division

[1] AT&T's December 13, 2001 ex parte stated that if the USF assessment factor for the first quarter 2002 rose to approximately 7.0%, AT&T would be able to lower its USF collection rate to 9.0%. Assuming a similar rise in the first quarter 2002 assessment factor due to AT&T's use of projected revenue plus the slight increase in the USF factor now anticipated for the second quarter 2002, AT&T would be able to lower its collection rate from 11.5% to 9.2% to be in effect through the end of the second quarter. If the Commission believes that there will be no increase in the assessment factor from the first quarter to the second quarter, AT&T's collection rate would be 9% through the end of the second quarter 2002.

Attachment 2

OPERATIONALIZING AT&T's WAIVER REQUEST
Effective March 1, 2002

- FCC grants AT&T waiver by February 1, 2002.
- AT&T files projections of revenues for the 1st Quarter of 2002 with USAC (Prospective 499Q) – within 24 hours of FCC action.
- USAC recalculates the revenue assessment rate for the 1st Quarter of 2002 by replacing AT&T historical revenues with AT&T projected revenues for the quarter within 48 hours of AT&T's filing.
- FCC Authorizes new assessment rate for the 1st Quarter no later than February 15, 2002.
- Carriers revise their collection rates to reflect the new assessment rate – 3/1/02.
- USAC bills respective Carriers based on their submissions according to the current billing schedule adjusted for January and February payments based on current assessment rate –March 15.
- All carriers remit remaining contributions according to current payment schedule – April 15.

Attachment 1

OPERATIONALIZING AT&T's WAIVER REQUEST
Effective February 1, 2002

- AT&T files projections of revenues for the 1st Quarter of 2002 with USAC (Prospective 499Q) – 1/16/02.
- USAC recalculates the revenue assessment rate for the 1st Quarter of 2002 by replacing AT&T historical revenues with AT&T projected revenues for the quarter – 1/17/02.
- FCC grants AT&T waiver by January 18, 2002 and authorizes new revenue assessment rate for the 1st Quarter of 2002.
- Carriers revise their collection rates to reflect the new assessment rate – 2/1/02.
- USAC bills respective Carriers based on their submissions according to the current billing schedule adjusted for January payments based on current assessment rate – February 15, and March 15.
- All carriers remit remaining contributions according to current payment schedule – March 15, and April 15.

An Illustrative Attribution Analysis of the Current Federal USF Mechanisms -- Assessment Vs. Recovery Rates

Quarterly Assessment Mechanism			
Baseline Assumptions:			
A	Contribution Factor	**6.81%**	As Published by the FCC/USAC Through FCC's Quarterly Public Notices
B	USF Assessment Base	**$ 100,000,000**	As Reported By The Telecommunications Carrier To The USAC In Their Form 499Q. Note: Revenues Reported In A Carrier's 499Q Includes Their Interstate and International Retail Revenues ***Plus Their USF Collection*** For Any Given Quarter.
C = A * B	USF Obligation	**$ 6,810,000**	Expected USAC's Quarterly Billing To That Telecommunication Carrier

Quarterly Recovery Mechanisms					
		Recovery Rate	***Recovery Base***	***Recovered Amount***	***Remarks***
D	No Lag/No Adjustments	**6.81%**	**$ 100,000,000**	**$ 6,810,000**	Recovery= Assessment
E	Line **D** Adjusted To Exclude USF Revenues	**7.49%**	**$ 90,909,091**	**$ 6,810,000**	Assuming historical recovery rate as 10% and non-USF revenue as R. Then R+(R*.10) = $100,000,000 or R= ($100,000,000/1.1) =$90,909,091. ** SEE NOTE BELOW.
F	Line **E** Adjusted for Uncollectible Revenues	**7.89%**	**$ 86,363,636**	**$ 6,810,000**	Assuming 5% Uncollectibles -- USF charges will not be collected from 5% of the revenue base
G	Line **F** Adjusted for Declining Revenue Base (I.e. Lag Effect)	**10.51%**	**$ 64,772,727**	**$ 6,810,000**	Assuming revenues have declined by 25% over the past 6 months. As a result, USF obligation will be recovered from a smaller revenue stream.
H	Line **G** Adjusted for Unbillable Revevenues	**11.68%**	**$ 58,295,455**	**$ 6,810,000**	Assuming 10% Unbillables -- 10% of the revenue base can not be billed USF charges

** NOTE: A Telecommunication Carrier's Reported Revenue Included Their USF Collection During That Period. In Order To Estimate and Back-Out Those USF Revenues One Need To Use Their Recovery Rate For That Historical Period. For This Analysis It Is Assumed To Be 10%.

File: 1-15-2002_UPDATED_Illustrative Example of USF Recovery and Assessment Rates
Worksheet: Illustrative Example

Date: 1/15/2002
AT&T L&PP

An Illustrative Attribution Analysis of the Current Federal USF Mechanisms -- Assessment Vs. Recovery Rates

Quarterly Assessment Mechanism			
Baseline Assumptions:			
A	Contribution Factor	6.81%	As Published by the FCC/USAC Through FCC's Quarterly Public Notices
B	USF Assessment Base	$ 100,000,000	As Reported By The Telecommunications Carrier To The USAC In Their Form 499Q. Note: Revenues Reported In A Carrier's 499Q Includes Their Interstate and International Retail Revenues ***Plus Their USF Collection*** For Any Given Quarter.
C = A * B	USF Obligation	$ 6,810,000	Expected USAC's Quarterly Billing To That Telecommunication Carrier

Quarterly Recovery Mechanisms -- WITH INCREASING REVENUE BASE					
		Recovery Rate	***Recovery Base***	***Recovered Amount***	***Remarks***
D	No Lag/No Adjustments	6.81%	$ 100,000,000	$ 6,810,000	Recovery= Assessment
E	Line **D** Adjusted To Exclude USF Revenues	7.27%	$ 93,624,192	$ 6,810,000	Assuming historical recovery rate as 10% and non-USF revenue as R. Then R+(R*.0681) = $100,000,000 or R= ($100,000,000/1.0681) =$93,624,192 . ** SEE NOTE BELOW.
F	Line **E** Adjusted for Declining Revenue Base (I.e. Lag Effect)	6.06%	$ 112,349,031	$ 6,810,000	Assuming revenues have INCREASED by 20% over the past 6 months. As a result, USF obligation will be recovered from a HIGHER revenue stream.
G	Line **F** Adjusted for Uncollectible Revenues	6.38%	$ 106,731,579	$ 6,810,000	Assuming 1% Uncollectibles -- USF charges will not be collected from 1% of the revenue base
H	Line **G** Adjusted for Unbillable Revevenues	6.38%	$ 106,731,579	$ 6,810,000	Assuming 0% Unbillables -- NO REVENUES SHOULD BE EXCLUDED FOR UN-BILLABLES

** NOTE: A Telecommunication Carrier's Reported Revenue Included Their USF Collection During That Period. In Order To Estimate and Back-Out Those USF Revenues One Need To Use Their Recovery Rate For That Historical Period. For This Analysis It Is Assumed To Be 6.81%.

USF AMOUNT OVER COLLECTED PER QUARTER BY THIS CARRIER IF THEY USE USAC's RATES OF 6.81% =	$	458,421